

INFORMATION

DEVELOPMENT AND COOPERATION**THE SIGNING OF THE LOME CONVENTION - AN HISTORIC EVENT****88/75**

Introduction

The new EEC-ACP Convention, which has been heralded as the basis of a new model for relationships between developed and developing countries, will be signed at Lomé on the 28th February 1975.

I. Resumé of Events

1. The antecedents: the Yaoundé and Arusha Conventions.

The Treaty of Rome laid down that a special relationship could be established between the EEC and dependent countries and overseas territories.

After achieving their independence, between 1960 and 1962, 18 African and Malagasy states signed the first Yaoundé Convention, which entered into force on 1.6.1964 and ran for five years. The second Convention, which followed it, was signed at Yaoundé on 29.7.1969. It entered into force on 1.1.1971 and was due to terminate on 31.1.1975 (see note P.33 of 11.7.1969). After the opening of the 1970 negotiations between the United Kingdom and the EEC, Mauritius applied to join the Yaoundé Convention, without waiting for the U.K. to enter the EEC. She joined on 30.6.1973.

Since 1963 the Six had adopted a declaration, formally published in Yaoundé on 29.7.1963, confirming that the Community was open to all requests by third countries which had an economic structure comparable to those of the AASM and who wished either to join the Yaoundé Convention or to form a quite different kind of association or commercial agreement. It was in this context that an accord of association was signed with Nigeria in 1966, which was never applied because it was not ratified. Finally, after many vicissitudes, an association accord was signed at Arusha on 24.9.1969. with the three East African states (Kenya, Uganda, Tanzania); this came into

force at the same time as Yaoundé II and had the same expiry date, 31.1.1975. This agreement was, however, more limited; it concerned essentially a trade regime, and had no provision for financial and technical cooperation.

2. From the enlargement of the Community to the opening of negotiations with the ACP.

The negotiations of accession with the candidate countries led to the adoption of "Protocol 22", which was added to the act of adhesion of the new member states of the Community. In this, the Community offered to 20 Commonwealth countries in Africa, the Caribbean and the Pacific, the opportunity to negotiate the organisation of their future relationship, to be either association accords or commercial agreements. The protocol also guaranteed at the same time the maintenance of the advantages held by the AASM states, and equal treatment for new associates. Finally, it made clear that the Community "would have as its firm purpose the safeguarding of all the countries whose economies depend to a considerable extent on the export of primary products, particularly sugar."

The Commission announced, in its memorandum of April 1973 the essential characteristics of a model of agreement likely to meet all the worries and problems of the countries concerned. In most respects these guidelines are in the agreement that has just been made, most notably the fundamental innovation of the machinery for the stabilisation of export earnings, the insistence on regional cooperation, the special effort agreed on for the least favoured nations, the strengthening of the participation of the partner states in the management of projects of financial and technical cooperation.

3. The stages of the negotiations

The negotiations were formally opened in Brussels on 25th and 26th July, 1973. The kick-off to the actual negotiations was given by the Ministerial Conference, 17th and 18th October 1973. This conference (see P.51, October 1973) stated that all those countries which had been invited were ready to join in the negotiations. Subsequent developments should not contradict this aim.

During the negotiations it became clear that there was a remarkable cohesion among the ACP countries, who expressed themselves

all the way through as one group towards the Community, despite the difficulty of coordinating all the positions of so many different states.

After many months of negotiation in Brussels, at the level of plenipotentiaries, the Ministerial Conference in Kingston marked a basic stage, in producing not only the first agreements in principle at the political level, but also in consolidating the will to conclude an agreement.

After September, the discussions were resumed by the plenipotentiaries, and they began to deal with drafting the text. A first Ministerial Conference, 13-15 January, did not reach an agreement, but this was finally reached in the morning of February 1st, marking the conclusion of one of the most complex negotiations ever entered into by the Community.

II. The New Partners of the Community

The 46 countries of Africa, the Caribbean and the Pacific called upon to sign the new convention are:

- the 19 African and Malagasy states that were signatories to the Yaoundé Convention
- 21 Commonwealth States -
 - in Africa - Kenya, Uganda, Tanzania, signatories to the Arusha Convention; Botswana, Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Zambia
 - in the Caribbean - Barbados, Guyana, Jamaica, Bahamas, Grenada, Trinidad and Tobago
 - in the Pacific - Fiji, Western Samoa, Tonga
- 6 other African states - Ethiopia, Guinea, Equatorial Guinea, Guineau Bissau, Liberia, Sudan

The agreement anticipates the possibility of accession to the convention of every state that has an economic and productive structure comparable to that of the ACP states, with the reservation, of course, that it has the consent of the Community and the ACP states. In this connexion, the Community has already announced that it is open to approaches from the Portuguese-speaking countries of Africa.

These 46 countries, which include notably all independent black Africa, contain a population of about 268 million, that is still essentially an agricultural population (78% in Africa).

Among these, 18 countries are among the poorest in the world, following criteria laid down by the United Nations. Their average GNP per head is 148\$ (1971 figures) (136\$ for Africa).

Although the rate of growth of the GNP had reached an average of 4.6% per annum for the period 1960-1971, it is only 2.1% a head.

For the ACP as a group, the Community is the most important commercial partner, for it takes (1970) 54% of their exports, and provides 44% of their imports (for Africa alone, the figures are 60% and 55% respectively).

III. The Characteristics of the new Convention

The new Convention, while it continues the theme of earlier associations, is significant for two reasons - its field of application is considerably enlarged, which is enough in itself to give it a new importance, and its content is marked by characteristic developments and fundamental innovations. Here it demonstrates in a definite way the new Community approach towards the developing countries, which takes into account an international economic situation in a process of profound change, and more especially the resulting diversification in the problems and needs of the Third World.

1. Trade Relations

The Lomé Convention, where it deals with trade, is based on the principle of free access of produce originating in the ACP states to the Community market, which puts the ACP states more or less in the same position in relation to the market as the member states themselves. This shows the exceptionally favourable character of the agreements.

More particularly, the arrangements for importing into the Community agricultural produce from the ACP which is relevant to the common agricultural policy will be almost as favourable, since nearly all these products will have the benefit of free access and the rest will have preferential treatment.

The most important innovation in the agreement, as far as the ACP is concerned, is that the EEC has given up its insistence on reciprocity in commercial concessions. The ACP states, have, however, undertaken to guarantee to the EEC a trading régime no less favourable than that of the most-favoured-nation, and a policy of no discrimination between member states.

As in the past, the EEC and its partners will continue to keep each other informed and consult each other on matters of common interest, or when the decisions of one of the parties could affect the interests of the others.

Finally, the Lomé Convention, like the Yaoundé Convention, allows for financing programmes for commercial promotion of produce from the ACP.

2. The stabilization scheme

In introducing a system of stabilisation of export earnings, the Convention has made a major innovation in international economic relations. Setting aside the system of compensatory financing of the International Monetary Fund, of which the principle and modalities are, after all, very different indeed from the system of stabilisation negotiated by the Community and the ACP, this is the first time that the industrialised countries and the exporters of primary products from those less developed, have agreed together to build a system guaranteeing to the exporters a certain level of export earnings, shielded from the fluctuations they normally undergo with the play of market forces and the risks of production.

This system, which acts as an insurance against the bad years, assures monetary transfers to the exporters of 12 primary products from the ACP states, when their effective earnings from one year's exports into the Community fall below a certain level. The different methods of applying the system are adjusted with consideration for the particular situation of the least developed, landlocked or island states. When circumstances allow, the states benefitting from the transfers will contribute to building up the resources put at the disposal of the system by the Community, that is, 375 muc for the period of the application of the Convention. The least favoured nations, are, however, exempt from this obligation.

One cannot stress enough the considerable political significance of this feature, which is bringing a first practical response, even though partial, to a problem which has for decades prevented the development of a harmonious and balanced relationship between those who produce the primary products and those who use them.

3. Arrangements on sugar

One of the most important questions in the ACP negotiations was that of sugar, which represents for a number of ACP countries, a commodity of extraordinary economic and social importance. It was the last point on which agreement was reached.

The agreement provides, in a special protocol, for an undertaking by the Community to purchase and import at guaranteed prices, cane sugar from certain ACP countries for an indefinite period. For their part, the ACP sugar producing countries undertake to supply specific quantities annually. They have also undertaken to supply specific quantities for the important period up to June 1975 to help with the present shortage of sugar within the Community, particularly in the U.K.

As for prices, the Community has agreed to ensure a guaranteed price, related to Community prices, below which ACP cane sugar in the Community cannot fall. However, in order to enable the ACP countries to benefit from the current high price situation, it has been agreed that prices may be freely negotiated between sellers and buyers. In this context, special price arrangements for 1975 have been made between the Commonwealth ACP countries and the UK Government.

4. Industrial Cooperation

One of the most striking innovations of the new Convention is the importance it gives to the theme of industrial cooperation. This has a special chapter, the response to a demand made by the ACP states at the ministerial meeting in Kingston.

The position which industrial cooperation will in future occupy among the other aspects of general EEC-ACP cooperation is a reflection of its outstanding importance in the context of changing international economic relations, which are giving an increasing importance to the role of the developing countries in industrial production. Traditional financial cooperation will be less important than in the past for some ACP partners, who will in future have their own significant financial means at their disposal, because of the increased value of their national resources. In their search for a change in the content of their

relations with the Community, the partners in the negotiations have identified the field of industry as particularly promising with a view to a new cooperation.

The provisions of the new Convention concerning industrial cooperation cover the whole industrial field: development of industrial infrastructures, contributions to the creation of manufacturing enterprises, formation, research and industrial studies, transfer and adaptation of technology, special action for small and medium-sized enterprises, programmes for information and industrial promotion. The Community resources available for financial and technical cooperation make financial contributions to industrial cooperation possible, to the extent to which this is required. The Convention does not provide for a specific figure to finance the industrialisation programmes, but there are, nonetheless, certain techniques and methods of financing available, which are particularly well adapted to the peculiar characteristics of activities in this sector.

The Convention also creates special bodies to implement industrial cooperation: it establishes a Committee of Industrial Cooperation, to follow through activities in this programme, to deal with problems as they arise and to suggest adequate solutions. This committee will also have the job of guiding and controlling the Centre for Industrial Development, an original and strictly operational instrument, which will be run jointly by the ACP and the Community and will have the special task of giving out information on industrial affairs, formation of contacts and other functions of industrial promotion.

The Convention has created a "cadre" to open the way for new and interesting developments in industrial cooperation. Later, much will depend on the way in which the partners in cooperation succeed in interesting and involving the businessmen and entrepreneurs, because, in the final analysis, it is above all they who undertake the industrial projects, who achieve the transfer of technical knowledge and management, who carry out the sale and marketing of goods.

Do the partners of the Community realise that "the measures necessary to promote efficient cooperation" that they have pledged themselves to take

will, under the circumstances, consist less in granting initial advantages, even though substantial ones, but much more in the stability and security of conditions of work that the businessmen will find in the host countries?

5. Financial cooperation

As well as the increase in the means to initiate financial cooperation at the disposal of the Community, the negotiators of the new Convention have introduced important reforms in the management and administration of aid. New guidelines have at last been laid down, to give satisfactory responses to the changed demands of development.

The Community will have at its disposal a global financial package of 3,390 million units of account,¹⁾ which would be about 3.7 times that of Yaoundé II, distributed in the following way:

+ 3.000 million units of account from the EDF, of which:

2.100 million units of account in the form of grants

430 million units of account in the form of soft loans

95 million units of account in the form of risk capital

375 million units of account for the stabilisation of export earnings

+390 million units of account from the EIB, in the form of normal loans.

In addition to this global figure, one should add 160 million units of account, agreed to be allocated to countries, territories and departments overseas, of which 10 million come from the resources of the EIB.

The terms and conditions of Community aid remain very favourable: of the 3 milliard from the EDF the grant element is dominant, a proportion of 80% of the total, although there has been a slight decrease to take account of the increased borrowing capacities of some of the ACP states.

(1) The unit of account is defined by a declaration of the Community that the figure of Community aid will be the equivalent, in one European unit of account, to be defined, to 3.390 million of [DTS] at their value on 28 June 1974. However, this statement obliges the Council to take a decision, before the entry into force of the Convention, setting out, if, for the definition of this unit of account, reference should be made to the [DTS] or to a currency basket of the member states of the Community.

/ Special Drawing Rights /

The terms of the soft loans are fixed at the most favourable possible (40 years, 10 years deferred, 1% interest) which is a big advantage over the terms in the Yaoundé Convention, where these were the maxima that were far from readily available.

The interest on the loan given by the EIB will, with rare exceptions, be accompanied by a subsidy having the effect of reducing the rate of interest to the borrower to 3%.

One of the most outstanding innovations of the new Convention concerns the increasing responsibilities of the ACP states in the management of financial cooperation. The active participation of the beneficiary states is in fact anticipated at each stage of a project—planning, presentation, direction, financial decisions, implementation and the final evaluation of the results.

The Community has by this means particularly been able to find a formula which allows the ACP states to present their justification of a project verbally, in person, to the Commission representatives, when a proposal for financial assistance has not been favourably received by the EDF Committee, before the Committee gives its final decision.

Similarly, other measures have been agreed, encouraging the participation of management and enterprise from the country concerned, in their implementation.

Finally, two other important innovations must be pointed out:

- on the one hand, the transfer of the functions of the commission representatives of the EDF - currently held by the European financial institutions - to the central banks or other public or semi-public national financial institutions of the ACP states;

- on the other hand, the strengthening of the powers of the national authorities in the implementation of financial and technical cooperation corresponds to a diminution in the administrative, financial and technical responsibilities of the Commission Representatives.

The negotiators of the new Convention have thought it best to maintain the general sectoral priorities confirmed by experience. This has several implications: firstly, that stress will continue to be placed on strengthening the economic and social infrastructures, rural development and training and education programmes; secondly, that definite projects in industrialisation, marketing, distribution and promotion of sales will be

carried out and intensified. Finally, this implies that, as in the past, exceptional aid will be given to ACP states facing severe difficulties as a result of natural calamities or extraordinary circumstances of equal gravity.

However, this order of priorities does not exclude important innovations in some sectors - in this context, the new Convention provides especially:

- increased support for programmes of regional and inter-regional cooperation, for which approximately 10% of the global financial resources of the Community is reserved.
- strengthening of cooperation with the 24 states considered by the Community as the least developed, which will benefit from special measures and the most favourable financial terms.
- specific programmes for small and middle-sized national enterprises, especially through the intermediary of development banks, and requiring largely decentralised procedures of decision making and execution.
- microprojects for development, especially the rural areas, to allow concrete responses to the specific needs of local communities.

6. The Institutional Arrangements

The Convention will be jointly run, under the responsibility of a ministerial paritary body (The Ministerial Conference), assisted by a committee which will similarly be a paritary committee of ambassadors.

The Convention anticipates as well a consultative Assembly, composed on a parity basis, on the one hand of members of the European Parliament, and on the other hand of representatives designated by the ACP States.

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